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SINO ICT HOLDINGS LIMITED

芯成科技控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00365)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Sino ICT Holdings Limited (the “Company”) hereby announces the unaudited consolidated results (the “Results”) of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2021 (the “Period”). The Results have not been audited but they have been reviewed by the Company’s Audit Committee on 20 August 2021.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended	Six months ended
	<i>Notes</i>	30 June 2021	30 June 2020
		(Unaudited)	(Unaudited)
		HK\$’000	HK\$’000
Revenue	5	196,127	160,211
Cost of Sales		(101,069)	(76,003)
Gross profit		95,058	84,208
Other income	6	5,899	7,191
Other gains/(losses), net	7	641	(970)
Distribution costs		(27,798)	(15,395)
Administrative costs		(28,810)	(27,208)
Operating profit		44,990	47,826

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(CONTINUED)**

	<i>Notes</i>	Six months ended 30 June 2021 (Unaudited) HK\$'000	Six months ended 30 June 2020 (Unaudited) HK\$'000
Finance income	8	407	267
Finance costs	8	(7,620)	(9,295)
Finance costs, net	8	(7,213)	(9,028)
Profit before income tax		37,777	38,798
Income tax expense	10	(4,890)	(7,446)
Profit for the Period attributable to equity holders of the Company		32,887	31,352
Other comprehensive income			
<i>Item that may reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		79	1,073
Other comprehensive income for the Period, net of tax		79	1,073
Total comprehensive income		32,966	32,425
Total comprehensive income attributable to: Equity holders of the Company		32,966	32,425
Basic earnings per share	11	2.26 Cents	2.15 Cents
Diluted earnings per share	11	2.26 Cents	2.15 Cents

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	At 30 June 2021 (Unaudited) <i>HK\$'000</i>	At 31 December 2020 (Audited) <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		71,208	73,146
Investment property		26,943	26,943
Right-of-use assets		28,211	27,290
Intangible assets		24,367	22,281
Deferred income tax assets		5,746	9,578
Other non-current assets		—	4,904
Investment in associates		258,379	247,684
		<u>414,854</u>	<u>411,826</u>
Current assets			
Inventories		62,853	35,227
Trade receivables and other receivables	12	216,930	145,909
Financial assets at fair value through profit or loss		582	43,635
Cash and cash equivalents		351,309	116,609
		<u>631,674</u>	<u>341,380</u>
TOTAL ASSETS		<u>1,046,528</u>	<u>753,206</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital and share premium		240,740	240,740
Other reserves		610,193	610,114
Accumulated losses		(508,753)	(541,640)
TOTAL EQUITY		<u>342,180</u>	<u>309,214</u>

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Notes</i>	At 30 June 2021 (Unaudited) <i>HK\$'000</i>	At 31 December 2020 (Audited) <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Long-term borrowings	<i>14</i>	—	92,103
Lease liabilities		8,815	8,357
Deferred income		1,092	1,163
Deferred income tax liabilities		5,450	6,966
		<u>15,357</u>	<u>108,589</u>
Current liabilities			
Trade payables and other payables	<i>13</i>	556,658	111,316
Lease liabilities		10,477	10,360
Contract liabilities		13,596	56,097
Short-term borrowings	<i>14</i>	94,119	1,899
Current income tax liabilities		14,141	13,164
Non-current liabilities due within one year	<i>9</i>	—	142,567
		<u>688,991</u>	<u>335,403</u>
TOTAL LIABILITIES		<u>704,348</u>	<u>443,992</u>
TOTAL EQUITY AND LIABILITIES		<u>1,046,528</u>	<u>753,206</u>

1. GENERAL INFORMATION

Sino ICT Holdings Limited (the “Company”), which was formerly known as Sun East Technology (Holdings) Limited and Unisplendour Technology (Holdings) Limited, is a limited liability company incorporated in Bermuda. Its registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is Unit 02-03, 69/F, ICC-International Commerce Centre, 1 Austin Road West, Tsim Sha Tsui, Kowloon, Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company and its subsidiaries (collectively the “Group” hereafter) are principally engaged in SMT equipment manufacturing and securities investment.

On 17 September 2019, UNIC Capital Management Co., Ltd. (“UNIC Capital”), Sino Xin Ding Limited (“Sino Xin Ding”) and the Company jointly announced that Unis Technology Strategy Investment Limited (“Unis Strategy Investment Company”), Sino Xin Ding and Beijing Unis Capital Management Co., Ltd. (the parent company of Unis Strategy Investment Company) entered into a share purchase agreement, pursuant to which Sino Xin Ding conditionally agreed to acquire from Unis Strategy Investment Company the sale shares, being 986,829,420 shares and representing approximately 67.82% of the total issued share capital of the Company, for a total consideration of HK\$990 million (equivalent to approximately HK\$1.00 per sale share). Completion of the share purchase agreement took place on 26 September 2019. Upon completion, Sino Xin Ding became the direct controlling shareholder of the Company and UNIC Capital is the actual controlling shareholder of the Company. Pursuant to Rule 26.1 of The Codes on Takeovers and Mergers and Share Buy-backs, UNIC Capital and Sino Xin Ding were required to make a mandatory unconditional general offer in cash for all the issued shares. On 4 November 2019 (the last date for acceptance of the offer), UNIC Capital and Sino Xin Ding had received valid acceptances in respect of 346,810 shares, aggregating the shares of the Company already held by UNIC Capital and Sino Xin Ding representing 67.847% of the issued share capital of the Company. On 30 June 2021, Sino Xin Ding accounted for 67.847% of the issued capital of the Company.

The interim results announcement is presented in Hong Kong dollar (unless otherwise stated). The interim results announcement was approved for issue by the Board of the Company on 20 August 2021.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2020, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2.1 Going concern

The Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore adopts the going concern basis in preparing its condensed consolidated interim financial statements.

3. ACCOUNTING POLICIES

Except as for the adoption of new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the six months ended 30 June 2021, the accounting policies applied in preparing the condensed consolidated interim financial statements are consistent with those of the financial statements for the year ended 31 December 2020, as described in the annual financial statements.

The adoption of these new standards, amendments and improvements to HKFRSs and HKAS did not have any significant impact on the Group’s financial performance and position for the six months ended 30 June 2021.

4. ESTIMATES

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements for the year ended 31 December 2020 with the exception of changes in estimates that are required in determining the provision for income taxes and disclosure of exception items.

5. SEGMENT INFORMATION

The executive directors are the Group's chief decision-makers. Management has determined the operating segments based on the report reviewed by the executive directors for the purposes of allocating resources and assessing performance. During the six months ended 30 June 2021, the Group's operating segments of the followings:

- (1) Production and sales of industrial products; and
- (2) Securities investment.

The executive directors assess the performance of the operating segments based on the revenue and profit before tax in each segment. The executive directors do not focus on the total liabilities of the segments. The unallocated activities primarily consist of corporate headquarter which manage and support the segments. The assets are mainly the monetary funds used by the Company for daily operations, office equipment and investments in associates. The liabilities are mainly bank borrowings granted to the Company.

The segment information for the six months ended 30 June 2021 is presented as follows:

	Six months ended 30 June 2021			
	(Unaudited)			
	Production and sales of industrial products <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Unallocated activities <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	179,248	14,038	2,841	196,127
Segment profit	78,355	13,862	2,841	95,058
Other income	3,607	—	2,292	5,899
Other gains/(losses), net	1,050	—	(409)	641
Distribution costs	27,798	—	—	27,798
Administrative costs	13,957	—	14,853	28,810
Financial costs, net	1,894	3	5,316	7,213
Profit/(loss) before income tax	39,363	13,859	(15,445)	37,777

5. SEGMENT INFORMATION (CONTINUED)

The segment information for the six months ended 30 June 2020 is presented as follows:

	Six months ended 30 June 2020			
	(Unaudited)			
	Production and sales of industrial products	Securities investment	Unallocated activities	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue	113,921	46,018	272	160,211
Segment profit	38,359	45,577	272	84,208
Other income	2,610	—	4,581	7,191
Other (losses)/gains, net	(982)	—	12	(970)
Distribution costs	15,395	—	—	15,395
Administrative costs	12,542	—	14,666	27,208
Financial costs, net	2,433	242	6,353	9,028
Profit/(loss) before income tax	9,617	45,335	(16,154)	38,798

6. OTHER INCOME

	Six months ended	Six months ended
	30 June 2021	30 June 2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from sales of scraps	21	—
Government grants	3,586	2,610
Share of results of associates	2,292	4,581
	5,899	7,191

7. OTHER GAINS/(LOSSES), NET

	Six months ended 30 June 2021 (Unaudited) <i>HK\$'000</i>	Six months ended 30 June 2020 (Unaudited) <i>HK\$'000</i>
Reversal of bad debt written off	80	467
Others	561	(1,437)
	<u>641</u>	<u>(970)</u>

8. FINANCE COSTS, NET

	Six months ended 30 June 2021 (Unaudited) <i>HK\$'000</i>	Six months ended 30 June 2020 (Unaudited) <i>HK\$'000</i>
Finance income:		
– Interest income from bank deposits	407	267
Finance costs:		
– Interest expenses on bank and other borrowings	(7,620)	(9,295)
Finance costs, net	<u>(7,213)</u>	<u>(9,028)</u>

9. CONVERTIBLE BONDS

On 30 May 2016, the Company issued 730,000,000 ordinary shares at a price of HK\$0.4 per share and zero coupon convertible bonds with face value of HK\$148,000,000 to Unis Strategy Investment Company. The bonds shall be matured in five years from the date of issue at their face value of HK\$148,000,000 or converted into ordinary shares of the Company at HK\$0.4 per share (subject to adjustment) by the holder before the maturity date of the bonds. Such transaction was approved at the special general meeting held on 9 May 2016. The management initially recognised the convertible bonds issued in whole as financial liabilities at fair value through profit or loss based on analysis and assessment on relevant terms of the agreement and in consideration of the substance of the agreement.

On 30 March 2017, the special general meeting approved the supplementary agreement for the convertible bonds signed by the Company and Unis Strategy Investment Company. The supplementary agreement removes the relevant terms in relation to the conversion price adjustment under the original agreement. Accordingly, the convertible bonds issued by the Company pursuant to the original agreement were derecognised. According to the amended terms, the convertible bonds issued by the Company were recognised as compound financial instruments. As at 30 March 2017, such financial liability at fair value through profit or loss of HK\$678,487,000 was derecognised. Pursuant to the amended terms and the fair value at the date, the Company has recognised the convertible bonds as compound financial instruments, among which, the fair value of the liability component was HK\$100,546,000, the fair value of the equity component was HK\$577,941,000, and the liability component of the compound financial instruments were subsequently measured by the cost method. In 2017, the recognised gains from change in fair value of convertible bonds for the year were HK\$78,405,000, the recognised interest expense was HK\$7,423,000, and the recognised book value of the convertible bonds as at 31 December 2017 was HK\$107,969,000. As at 31 December 2018, the recognised book value of the convertible bonds was HK\$118,463,000. As at 31 December 2019, the recognised book value of the convertible bonds was HK\$129,978,000. As at 31 December 2020, the recognised book value of the convertible bonds was HK\$142,567,000.

During the Period, the convertible bonds matured on 30 May 2021 and were repaid as scheduled.

10. INCOME TAX EXPENSE

Hong Kong profits tax had been provided at the rate of 16.5% (six months ended 30 June 2020: 16.5%) on the estimated assessable profit for the Period. The applicable preferential tax rate of 日東智能裝備科技(深圳)有限公司, a subsidiary of the Group in Mainland China, was 15% (six months ended 30 June 2020: 15%), and other subsidiaries of the Group in Mainland China were taxed at a rate of 25% (six months ended 30 June 2020: 25%). Taxation on overseas profits had been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June 2021 (Unaudited) HK\$'000	Six months ended 30 June 2020 (Unaudited) HK\$'000
Current income tax:		
Current tax profits for the Period	<u>4,890</u>	<u>7,446</u>
Income tax expense	<u>4,890</u>	<u>7,446</u>

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the Period.

	Six months ended 30 June 2021 (Unaudited) HK\$'000	Six months ended 30 June 2020 (Unaudited) HK\$'000
Earnings attributable to equity holders of the Company	32,887	31,352
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	<u>1,455,000</u>	<u>1,455,000</u>
Basic earnings per share	<u>2.26 Cents</u>	<u>2.15 Cents</u>
Diluted earnings per share	<u>2.26 Cents</u>	<u>2.15 Cents</u>

12. TRADE AND BILLS RECEIVABLES

At 30 June 2021 and 31 December 2020, the ageing analysis of the trade and bills receivables based on invoice date is as follows:

	At 30 June 2021 (Unaudited) <i>HK\$'000</i>	At 31 December 2020 (Audited) <i>HK\$'000</i>
Less than 3 months	43,622	37,027
3 to 6 months	17,039	28,561
More than 6 months	24,180	34,402
	<u>84,841</u>	<u>99,990</u>

13. TRADE AND BILLS PAYABLES

At 30 June 2021 and 31 December 2020, the ageing analysis of trade and bills payables based on the invoice dates is as follows:

	At 30 June 2021 (Unaudited) <i>HK\$'000</i>	At 31 December 2020 (Audited) <i>HK\$'000</i>
Within 90 days	57,139	38,593
91 to 120 days	1,395	908
Over 120 days	8,145	8,680
	<u>66,679</u>	<u>48,181</u>

14. BORROWINGS

	At 30 June 2021 (Unaudited) <i>HK\$'000</i>	At 31 December 2020 (Audited) <i>HK\$'000</i>
Secured bank loans due for repayment within one year	94,119	1,899
Secured bank loans due for repayment within two years	—	92,103
	<u>94,119</u>	<u>94,002</u>

The bank loans granted are secured by the Group's properties.

15. COMMITMENTS

Operating lease commitments – the Group as lessee

The Group leases certain office premises or staff quarter under non-cancellable operating lease arrangements. The lease terms are within one year, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The aggregate future minimum lease payments under non-cancellable operating leases are as follows:

	At 30 June 2021 (Unaudited) <i>HK\$'000</i>	At 31 December 2020 (Audited) <i>HK\$'000</i>
Within one year	<u>133</u>	<u>70</u>

15. COMMITMENTS (CONTINUED)

Operating lease commitment – the Group as lessor

The Group leases certain factory buildings and staff quarters under non-cancellable operating lease agreement. The minimum rents to be collected in the future are as follows:

	At 30 June 2021 (Unaudited) HK\$'000	At 31 December 2020 (Audited) HK\$'000
Within one year	7,665	6,315
More than one year but not more than five years	<u>27,670</u>	<u>33,654</u>
	<u>35,335</u>	<u>39,969</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Period, the Group was principally engaged in SMT equipment manufacturing and related business, and securities investment business.

In the first half of 2021, as the pace of global vaccine development and vaccination accelerated, major countries and economies gradually emerged from the pandemic, accelerating the recovery of long-suppressed market demand and injecting abundant vitality into economic development. The SMT equipment manufacturing industry was less affected by the pandemic and recovered quickly, thanks to the light manpower and highly integrated nature of the electronics industry, as well as the growing rigid demand for technological development. In addition, the management closely monitored market changes, always focused on product research and development (R&D), while actively expanding sales network. As a result, the Group continued to maintain significant growth in sales volume and steadily improved profitability in the SMT industry in the face of the global pandemic and the effective control of the pandemic in China, laying a solid foundation for the next phase of business expansion.

Overall, the Group recorded a total revenue of approximately HK\$196,127,000 for the six months ended 30 June 2021, representing a significant increase of approximately 22.42% compared with approximately HK\$160,211,000 for the same period last year. This was mainly attributable to the Group's main business, SMT equipment manufacturing and related business, which seized the opportunity of increased demand in the domestic market due to the effective control of the pandemic in China, greatly boosted its sales through various means such as participation in exhibitions, change in credit conditions and training on sales techniques. Furthermore, the Group's overall gross profit and profit attributable to equity holders for the Period increased to approximately HK\$95,058,000 and approximately HK\$32,887,000 respectively, representing increases of approximately 12.88% and 4.90% year-on-year by strengthening supply chain management, enhancing the quality of procurement and enhancing negotiation capability during the Period.

SMT Equipment Manufacturing and Related Business

During the Period, revenue from the SMT equipment manufacturing and related business segment accounted for over 90% of the Group's total revenue and contributed over 80% of the gross profit, which was the core of the Group's business development.

Since its roots in the SMT equipment manufacturing industry in the 1980s, the Group has been relying on its rich R&D, management and marketing resources accumulated in this field, and always insists on developing its own brand as the foundation, persistently enhancing the value of its own brand and establishing an extensive and profound upstream and downstream industrial chain. Thanks to the scientific development strategy implemented by the management and the concerted efforts of various stakeholders, the SMT equipment manufacturing and related business segment achieved a spectacular year-on-year revenue growth of approximately 57.34% to approximately HK\$179,248,000 for the Period; The segment's gross profit was approximately HK\$78,355,000, representing an increase of 104% compared with the same period last year, while the gross profit margin increased to approximately 44% from approximately 34% in the same period last year, placing it at an industry-leading level. In view of the extraordinary increase in sales volume, the segment's distribution costs and administrative costs, although higher than the previous year, were within control. Finance costs decreased by 22% compared with last year due to lower interest rates on loans. In conclusion, the segment's overall profit before income tax increased significantly by approximately 309% to approximately HK\$39,363,000 as compared with approximately HK\$9,617,000 in the same period last year.

The management deeply understands that the fundamental driving force of corporate development lies in strong product R&D capabilities, and that continuous innovation in technology is required to achieve continuous improvement in market share and corporate image. During the Period, the Group was granted 10 new patents, including 3 invention patents, 5 utility model patents and 2 appearance patents. During the Period, the Group also launched a die bonder for IC, SIP and QFN processes, which can be applied to the bonding process of various IC chips such as communication modules, power modules, LED and sensors, etc. The final products of the die bonder are suitable for IC modules in smartphones, computers, automotive electronics and Internet of Things (IoT) devices, etc.

In terms of marketing, the Group has been actively participating in major exhibitions in the industry to seize the valuable opportunities to showcase and promote its principal products and new R&D equipment to target customers, as well as to understand the market trends and customer needs, and to enhance the rapport between the R&D side and the consumer side. With the pandemic easing in China, the Group participated in SEMICON China 2021 - International Semicon Exhibition in Shanghai and the 30th China International Electronics Manufacturing Equipment and Microelectronics Industry Exhibition in the first half of 2021 to further build up its corporate image as a mid-to-high-end SMT equipment manufacturer, and to proactively seek opportunities to bridge the gap between SMT equipment manufacturing and R&D production of semicon equipment.

Securities Investment Business

For the securities investment segment, the Group has maintained a low-frequency trading strategy, focusing on upstream and downstream companies that are synergistic with the Company's principal business, SMT equipment manufacturing, and investing in high-tech companies listed on the Stock Exchange, mainly high-quality companies in the semiconductor industry. In view of the volatile market conditions and suppressed investment climate in recent years, the Company also closely monitors market changes and prudently manages its investment activities in the segment to minimise investment risks. During the six months ended 30 June 2021, the Group capitalised on the market's enthusiasm and good expectations for the chip industry, revitalised its investments in securities on a risk-controlled basis, and sold its holdings in securities investments decisively, quickly and accurately, thereby better locking in investment profits and avoiding the volatile impact on the Company's profits brought about by fluctuations in the share prices of its holdings.

Specifically, on 18 January 2021, the Group disposed of an aggregate of 1,956,000 shares of SMIC in the open market at an average disposal price of HK\$29.19 per share for gross proceeds of approximately HK\$56,914,000 (net of transaction costs) and an investment gain of HK\$13,868,000. As the global economy continued to be in a downturn due to the COVID-19 pandemic and the recent performance of the Hong Kong stock market was not satisfactory, the Group disposed most of its shares based on the market performance of the Hong Kong stock market as well as the shares held by it, and as at 30 June 2021, the Company's financial assets measured at fair value through profit or loss totalled approximately HK\$582,000, which further reduced the proportion of the Company's total assets to less than 1% and was very effective in controlling the risks associated with price and position volatility.

The Group has put in place a rigorous reporting mechanism for its securities investment business. The management will continue to closely monitor the performance of various investment activities in order to minimise investment risks and protect the safety of investments.

Name of investee	Total investment gain for the six months ended 30 June 2021 (Unaudited) HK\$'000
SMIC (stock code: 981.hk)	13,862
GOME FIN TECH (stock code: 628.hk)	4
GUODIAN TECH (stock code: 1296.hk)	172
	<hr/>
	14,038
	<hr/> <hr/>

The Group's investments in the listed shares were recorded as financial assets at fair value through profit or loss on the consolidated balance sheet, which was approximately HK\$582,000 as at 30 June 2021:

Name of investee	Financial assets at fair value through profit or loss as at 30 June 2021 (Unaudited) HK\$'000	Approximate percentage of total financial assets at fair value through profit or loss %
GOME FIN TECH	217	37.29
GUODIAN TECH	365	62.71
	<hr/>	
	582	100
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FINANCIAL REVIEW

Income

An analysis of the Group's income by business segments for the Period is as follows:

	Six months ended 30 June 2021 (Unaudited) <i>HK\$'000</i>	Six months ended 30 June 2020 (Unaudited) <i>HK\$'000</i>
SMT equipment manufacturing and related business	179,248	113,921
Securities investment	14,038	46,018
Comprehensive services	2,841	272
	<u>196,127</u>	<u>160,211</u>

Other gains

During the Period, the Group recorded other gains of approximately HK\$5,899,000 mainly attributable to government grants and gains from investments in associates.

Distribution costs

During the Period, the Group recorded distribution costs of approximately HK\$27,798,000, representing an increase of approximately HK\$12,403,000 as compared to the six months ended 30 June 2020, mainly due to the increase in sales.

Administrative costs

During the Period, the Group recorded administrative costs of approximately HK\$28,810,000, representing an increase of approximately HK\$1,602,000 as compared to the six months ended 30 June 2020.

Finance costs, net

During the Period, the net finance costs amounted to approximately HK\$7,213,000, representing a decrease of approximately HK\$1,815,000 as compared to the six months ended 30 June 2020, mainly due to the reduction in amortisation of interest due to the return of bonds payable.

Profit for the Period

As a result of the foregoing, the profit attributable to the equity holders of the Company for the Period was approximately HK\$32,887,000, representing an increase of HK\$1,535,000 as compared to the six months ended 30 June 2020.

Earning before interest, tax, depreciation and amortisation

The following table illustrates the Group's earning before interest, tax, depreciation and amortisation for the respective periods. The Group's earning ratio before interest, tax, depreciation and amortisation was approximately 24.48% for the Period.

	Six months ended 30 June 2021 (Unaudited) <i>HK\$'000</i>	Six months ended 30 June 2020 (Unaudited) <i>HK\$'000</i>
Profit for the Period attributable to equity holders of the Company	32,887	31,352
Finance costs, net	7,213	9,028
Income tax expense	4,890	7,446
Depreciation and amortisation	3,020	2,288
Earning before interest, tax, depreciation and amortisation	48,010	50,114

Gearing ratio

With reference to the total borrowings to the total equity attributable to the equity holders of the Company as at 30 June 2021, the gearing ratio of the Group was 27.51%.

Operating capital management

At 30 June 2021, the Group held cash and bank balances of approximately HK\$351,309,000, representing an increase of approximately HK\$234,700,000 comparing with approximately HK\$116,609,000 as at the beginning of the Period. During the Period, the Group recorded the average debtors turnover days of approximately 162 days (31 December 2020: 107 days), the average creditor turnover days of approximately 207 days (31 December 2020: 112 days), and the average inventory turnover days of approximately 177 days (31 December 2020: 83 days).

Charges on the Groups assets

At 30 June 2021, the Group's banking facilities including its import/export loan, letter of credit, documentary credits, trust receipt and bank borrowings were secured by:

- (i) a first legal charge on the Group's certain land and properties, which had an aggregate net book value at the reporting date of HK\$80,666,000.

Equity and liabilities

At 30 June 2021, the Group's net assets was approximately of HK\$342,180,000, compared with the net assets of approximately HK\$309,214,000 at 31 December 2020. The increase in equity was mainly attributed to the profit for the Period of approximately HK\$32,887,000 and the gains from the translation of foreign currency financial statements of approximately HK\$79,000.

Employees

At 30 June 2021, the Group employed approximately 337 staff and workers in Mainland China and approximately 20 staff in Hong Kong. The Group continues to maintain and enhance the capability of its employees by providing sufficient regular training to them. The Group remunerates its employees based on industry's practice. In Mainland China, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provides employee benefits including retirement scheme and performance bonuses.

PRINCIPAL RISKS AND UNCERTAINTIES

Operational risk

The Group is exposed to operational risk in relation to each business segment of the Group. To manage operational risk, the management of each business segment is responsible for monitoring the operation and assessing operational risk of their respective business segments. They are responsible for implementing the Group's risk management policies and procedures and shall report any irregularities in connection with the operation of the projects to the directors and seek directions.

The Group emphasises on ethical value and prevention of fraud and bribery, and has established a whistleblower program, including communication with other departments and business segments and units, to report any irregularities. In this regard, the directors consider that the Group's operational risk is effectively mitigated.

Financial risk

The Group is exposed to credit risk, liquidity risk, foreign exchange risk, and price risk, etc.

Credit risk

In order to minimise credit risk, the Directors closely monitor the overall level of credit exposure and the management is responsible for the determination of credit approvals and monitoring the implementation of the collection procedure to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the Period to ensure that adequate impairment losses have been made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk has been significantly reduced.

Liquidity risk

The Directors have built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In this regard, the Directors consider that the Group's liquidity risk has been effectively managed.

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency risks as its certain business, assets and liabilities are denominated in Renminbi, Hong Kong dollar, US dollar and so on. During the Period, the Group did not utilise any financial instruments for hedging purposes, and the Group will continue to closely monitor its foreign exchange risk associated to the currencies, and will take appropriate hedging measures when necessary.

Price risk

Since the business of the Group's securities investment segment is derived from the investment in stocks listed on the Main Board of the Stock Exchange, the price fluctuations of the shares held by the Group will affect the Group's after-tax profits. In order to manage the risk of fluctuations of securities price, the Group will diversify its investment portfolio according to the historical fluctuations of the stocks held and the risk control policies of the Company to avoid or reduce the risks arising from stock price fluctuations.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as a code of conduct securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2021.

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavors to ensure that its businesses are conducted in accordance with relevant rules and regulations, and applicable codes and standards. The Company has adopted the Code Provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules.

The Board periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code. The Company was in compliance with the Code for the six months ended 30 June 2021.

Audit Committee

The Company has established the Audit Committee (the “Committee”) in accordance with the requirements of the Code, for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Committee comprises one non-executive director and two independent non-executive directors of the Company. The Group’s interim results for the six months ended 30 June 2021 has been reviewed by the Committee. The Committee is of the opinion that these statements comply with the applicable accounting standards, regulations and the Stock Exchange’s requirements, and that adequate disclosures have been made.

PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE’S WEBSITE

The Company’s interim report containing all the information required by the Listing Rules will be published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.sino-ict.com) and be despatched to shareholders in due course.

CAUTION STATEMENT

The Board wishes to remind investors that the above unaudited interim financial results and operational statistics for the six months ended 30 June 2021 and the six months ended 30 June 2020 are based on the Group’s internal information. Investors should note that undue reliance on or use of such information may cause investment risks. Investors are advised to exercise caution when dealing in the securities of the Company.

This announcement contains forward-looking statements regarding the objectives and expectations of the Group with respect to its opportunities and business prospects. Such forward-looking statements do not constitute guarantees of future performance of the Group and are subject to factors that could cause the Company’s actual results, plans and objectives to differ materially from those expressed in the forward-looking statements. These factors include, but not limited to, general industry and economic conditions, shifts in customer demands, and changes in government policies. The Group undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances.

By Order of the Board of Directors

Sino ICT Holdings Limited

Du Yang

Chairman

Hong Kong, 20 August 2021

As at the date of this announcement, the directors are Mr. Du Yang, Mr. Yuan I-Pei and Mr. Xia Yuan as executive directors; Mr. Li Yongjun and Mr. Li Jinxian as non-executive directors; and Mr. Cui Yuzhi, Mr. Bao Yi and Mr. Ping Fan as independent nonexecutive directors.